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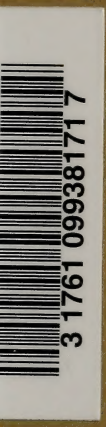
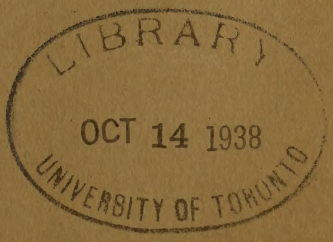
Market Turning Points in the World War





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Market Turning Points in the World War

Prof Eng Prof H R Kemp

Market Turning Points in the World War

JAS. H. OLIPHANT & CO.
Members New York Stock Exchange
Members Chicago Stock Exchange

61 Broadway
New York

The Rookery
Chicago

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Reflections upon Critical Market Periods during the World War and Suggestions bearing upon the Present Situation

WHEN one indulges in retrospect, and looking backward contemplates past performances of market prices for securities, he not infrequently is presented with an amazing picture. Viewing what appear to be such strange caprices in price movements, one comes to feel that all preconceived ideas of investments must be discarded and that no experience or precedent can be relied upon to formulate a reasonable judgment upon the course of future events. Especially in periods of momentous social, political, financial or economic upheavals is one prone to reject the wisdom of the wise and the experience of the ages.

Perhaps at no time in generations have events so bewildering transpired as those which make the history of the past four years.

By way of illustrating the strangely opposite situations which have manifested themselves in our securities market during the progress of the world war, we present following:

First—A table of comparative prices for representative stocks of different classes at critical periods;

Second—Copies of letters which at these critical market periods were sent out by this firm to clients especially interested in market situations.

The first two letters, which should be read with due allowance for the influences existing and the atmosphere prevailing at the time of writing, are submitted as the

discussion therein so closely bears upon the subject matter of the third letter dated September 25, 1918.

We present the whole for consideration as being of more or less interest at this juncture, and believe it will be not only instructive to the investor in fixing in his mind the major developments in the investment market of recent years, but helpful to him as well in his contemplation of factors governing the present situation.

In submitting the following, we feel that reference ought not to be omitted to an important consideration which should be recognized in a survey of the present investment market.

What will be the effect of the readjustment of the nation's business activities from a war to a peace basis?

What will be the effect upon business and profits resulting from changes in the prices of commodities, etc.?

To what extent will such weakness as may develop in the so-called war stocks cause liquidation and weakness in other departments of the investment market?

These and like questions present themselves. In this connection we point out that the "war-prosperity" stocks represent only a small part, so to speak, of the entire investment securities structure, composed as it is of Government, State and Municipal bonds, the stocks and bonds of domestic and foreign railroads, public utility companies and other corporations.

As we write, we have before us a list of about forty stocks which since early in the war have been the

centre of speculation on the New York Stock Exchange. Their total face value is about $1,500,000,000, of which one issue alone, United States Steel Corporation Common Stock, represents over one-third of the whole.

It is suggestive of the point which we would make here that the twelve railroad common stocks alone, which are mentioned in the list of the stocks on page 8, have a face value of practically $2,500,000,000.

There are countless securities, bonds and stocks alike, themselves forming the investment securities structure, which, by reason of influences arising from war conditions, for months have been and even today are quoted at prices which not long since would have been termed "panic" prices.

JAS. H. OLIPHANT & CO.

October, 1918.

Some Price Comparisons

(Common Stocks)

INDUSTRIALS	Jan. 2 1914	Dec. 11 1916	Dec. 10 1917	Sept. 25 1918
American Beet Sugar	24	104	73	68
American Car & Fdy.	45	75	65	85
American Woolen	18	54	43	55
Baldwin Locomotive	37	78	54	90
Central Leather	27	110	63	70
Corn Products Ref.	10	26	29	43
International Paper	8	63	24	34
New York Air Brake	68	165	101	122
U. S. Ind. Alcohol	21	136	110	114
United States Rubber	58	66	50	60
United States Steel	59	124	87	110
Virginia Car Chem.	26	47	32	55
RAILROADS				
Atch. Top. & Santa Fe	93	104	83	85
Atlantic Coast Line	116	120	89	96
Great Northern pfd.	126	117	89	90
Illinois Central	108	106	93	95
Louisville & Nashville	133	131	113	115
New York Central	91	106	67	73
Norfolk & Western	102	137	102	104
Northern Pacific	109	110	84	87
Pennsylvania	55	56	44	44
Reading	84	108	69	88
Southern Pacific	89	98	81	87
Union Pacific	155	145	110	124

PUBLIC UTILITIES, ETC.	Jan. 2 1914	Dec. 11 1916	Dec. 10 1917	Sept. 25 1918
American Smelt. & Ref.	63	113	72	76
American Telephone	118	126	103	98
American Tobacco	246	218	140	162
Anaconda Copper	34	94	56	68
Brooklyn Union Gas	121	131	90	85
Consolidated Gas	130	134	82	88
Detroit Edison	110	148	106	104
General Electric	140	178	123	146
Internatl. Harv. of N. J.	101	121	110	126
Liggett & Myers	214	280	170	170
Pullman	152	163	115	112
Texas Co.	131	200	134	164

NOTES

The prices of January 2, 1914, are presented as indicating in a general way the ante-war level.

Prices in the second column are as of December 11, 1916, the date of our letter presented on page 10. Late 1916 witnessed the culmination of the major upward movement in stocks which began early in 1915.

Prices in the third column are as of December 10, 1917, the date of our letter presented on page 12. December, 1917, marked the low point of the period of drastic liquidation which followed upon the entry into the war of the United States.

Prices in the fourth column are as of September 25, 1918, the date of our letter presented on page 20.

COMMENT

Some of the above mentioned stocks are known to the public as distinctly "war-prosperity" stocks. Others, which have benefited greatly from the war, have long been considered standard investment issues.

Countless preferred stocks, and bonds generally, have suffered marketwise by adverse influences arising from war conditions; those issues especially which yield high income returns may be expected to follow in the future more or less the course of the common stocks. Although advanced from the level of December, 1917, the current low prices (as compared with pre-war prices) of the old line proved investment securities appear in many cases inadequately to recognize the increased financial strength and larger earnings of the companies themselves.

LETTER OF DECEMBER 11, 1916.*

JAS. H. OLIPHANT & CO.

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS CHICAGO STOCK EXCHANGE

NEW YORK CHICAGO

ALFRED L. NORRIS
FLOYD W. MUNDY
J. NORRIS OLIPHANT
JOHN J. BRYANT, JR
FRANK L. VAN WIE

61 BROADWAY
NEW YORK

Dear Sir:

It is generally agreed that the maintenance of the present relatively high prices of certain classes of securities and the possibility of further advance—in fact the course of the market—depend largely upon the duration of the war.

Until the end of this gigantic conflict is in sight, our foreign and domestic business will doubtless be enormous. The stock market may be expected to discount profits actually in hand or prospective.

We do not assume to predict to what extent the Allies may increase their purchases here; nor what effect this may have upon the prices of commodities and finished products; nor how large may be the dividends to be declared by those successful corporations which are in the way of reaping the harvest of phenomenal business actually booked or in prospect.

Such conditions cannot continue forever; the limit must be reached sooner or later. In the great upward movement of the stock market during the past two years the value of a large number of securities has been revised

*Prevailing market prices shown in table, pages 8–9.

upward to a level which the event may prove to be beyond their intrinsic merit.

Stock market history has shown that the aftermath of a great period of speculation finds a large number who have become, as it were, involuntary investors in securities which they may not easily find an opportunity to sell without loss. Especially is this true of those securities the previous record of which shows little merit as investments.

There are many securities, now more or less actively dealt in, which later on will have a restricted market. There are many securities, now acceptable for bank loans, which later on will be discriminated against. Experience shows that the policy of the banks in respect of their requirements regarding collateral varies with changing conditions, according to marketability of securities, etc.

Long before the stock market reaches a point where the tendency of securities will be distinctly downward, rather than upward, the banks either will demand larger margin requirements or will discriminate against certain securities or name relatively low prices at which these various issues will be acceptable as collateral, as the case may be. These influences will tend to restrict bank accommodation all along the line and liquidation will be influenced in a considerable measure by this attitude.

Yours very truly,

JAS. H. OLIPHANT & CO.

LETTER OF DECEMBER 10, 1917.*

JAS. H. OLIPHANT & CO.

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS CHICAGO STOCK EXCHANGE

NEW YORK CHICAGO

ALFRED L. NORRIS
FLOYD W. MUNDY
J. NORRIS OLIPHANT
JOHN J. BRYANT, JR.
FRANK L. VAN WIE

61 BROADWAY
NEW YORK

Dear Sir:

We have endeavored to consolidate in our mind a firm opinion about the market. Arriving at certain conclusions we shall set these before you.

We believe within a year seasoned stocks will sell at prices greatly advanced over the bargain prices now prevailing. This belief presupposes of course that the Allied Cause will not be defeated in this Great War. It moreover need not be inconsistent with this belief that liquidation may not yet have fully spent itself and further readjustments may be required before the market settles at its lowest prices.

In the present situation we find no precedents to guide us. Viewing the future in its darker aspects one may raise up before his mind phantoms and bogies sufficiently hideous to frighten him into selling stocks like Southern Pacific and Reading at 30. For the contemplation of affairs throughout the world is indeed appalling and staggers one's mind and imagination. Present prices of course reflect the darker aspect, but prices must perforce be taken into account as the basis for a more hopeful view. At a price of 30 to-day for

*Prevailing market prices shown in table, pages 8-9.

Southern Pacific the world situation would be none the less appalling.

Where then are we to pause and reflect on brighter conditions ahead? There must be brighter conditions ahead, for, as stated elsewhere, war is not a normal lasting condition on which to base investment values. With prices at the lowest level in years, following a long protracted decline, we may be guided by precedent in expecting one day to witness the market up again and confidence taking the place of despair. In its broader aspect the present pessimism is not unlike that which existed in previous panic and near panic periods—1901—1907—1914—to mention only periods in comparatively recent history. Each period of despair stood more or less by itself without precedent to guide. So while the stock market stage is presented in a different setting and the characters are differently costumed, the performance is not unlike those we have witnessed before. At the existing low level of prices we must recall that:

"Evil omens and prophecies oft beget their own fulfillment by driving men into recklessness and making them run headlong upon the very evils which, as they fancied, were running upon them."

When the average man pursues the obvious course in Wall Street in the purchase and sale of stocks he is more frequently wrong than right. For example, thousands buy a stock after the extra dividend is paid and sell it when the dividend is omitted—buy at $10,000—sell at $5,000.

When the war started large numbers bought standard proved dividend payers—rails and public utilities—and looked askance at Lackawanna Steel, Distillers and such like securities, which latter as a group have alone made good during the progress of the war.

Very obvious but very wrong.

Now the standard rails, industrials and public utilities are considered more or less hopeless with expenses rising against them, their rates being governed largely by law.

The obvious thing to do now would appear to be to sell these securities and buy the large dividend payers, including the so-called War Brides. Will this prove right? We seriously doubt it, after three years of war to sell out at lowest prices in years the stocks which sell at panic prices largely because of war conditions, and buy at relatively advanced prices the stocks which war conditions have helped. This procedure presupposes a normal lasting condition of war.

Such purchases made now or switches should be made into such securities as will likely be helped most by the war's ending. Thus for a high priced stock better General Chemical than some other essentially a "war" stock, better U. S. Steel common and rails of the first rank than a munition company stock.

If the war is destined to last for say not less than one and one-half years longer one should perhaps not have any securities on margin.

If one holds stocks on margin or makes fresh commitments on margin he has no excuse for this procedure despite the admitted low level of prices, unless he frankly admits to himself that he is speculating on the duration of the war. Considering the level of prices we should say stocks should be bought on the chance that the prevalent discouraged feeling about the length of the war will be wrong.

The man who buys should better buy stocks which will offer the best permanent values under more normal conditions, as war is not a normal lasting condition on which to base purchases.

Certainly existing prices, yields and sentiment presuppose a long war ahead.

One should not say out loud that there is even a possibility of the war ending in a year because anything said on that score increases apathy and thus detracts from the full force of the country's efforts to overcome its enemies. But we speak here solely from a stock market standpoint. When the war has lasted for about three and one-half years, and when it is known that all of the participants are heartily sick of it, we ask would you not consider it a promising proposal to wager even money, either that the war would be over within a year or that its conclusion would be almost in sight?

In conversation here and there we have found a number who, while expecting the war to continue for a long time, nevertheless admit that there is a very good chance that it will be over in a year. Is it not quite

natural that we all should feel that the war will continue long? We are always influenced by what appears in the news prints and we know that the Government must plan for a long war lest its preparation be incomplete. A year ago, we believe, many more than now expected that the war would be over soon; since our country became a participant public opinion has naturally enough changed about. The prices of securities have changed about no less than public opinion.

Of course any opinion as to stocks must rest upon the fact that securities are selling at panic prices. So we find seasoned stocks quoted at prices far below their intrinsic values as determined by the past records of the companies, their credit, the permanency of their business and their present condition and prospects.

We have said that we speak from a purely stock market standpoint. Why should we say that when the dividend is passed on St. Paul common, the stock will likely have reached almost if not quite its lowest price in the market? We say this because that is the experience in Wall Street. St. Paul has dropped from 90 to 37 by reason of selling by those who have expected a reduction in the dividend, by those who expected its omission entirely and by those who doubtless have feared the company would become bankrupt, etc. When the company does pass its dividend, as we shall assume it will, we shall find that many of the fears which sellers have had will not be realized, for the history of the company and its present situation seem to us to indicate that the situation is unlike "Frisco," "Rock Island," etc.

We know that psychology plays a large part in the market and feel that the present low prices for securities generally reflect fears many of which will not be realized. The market has had to contend with uncertainties about taxation, with onerous burdens imposed by taxation, with the floating of billions of Government Loans, with the Russian collapse and the Italian reverse; in fact with everything disheartening. Thousands upon thousands of shares have doubtless been thrown upon the market by institutions and others in order to avoid the payment of excess profit taxes upon losses.

Let us look to see if we may not find some elements in the situation which may later on appear to be big bullish factors:

1. Throughout the whole history of this nation we have been debtors to the rest of the world. We all have realized that we could effectually discharge our debts abroad only by using our natural resources in payment. We could not sell our mineral products, lumber, etc., to such advantage as our farm products. So Mr. J. J. Hill used to urge greater crop production in order that we might use for export our surplus food products, which the rest of the world needed. Now in a period of three and one-half years we have discharged our debts abroad and have become a foremost creditor nation, and this has been accomplished by the use of our natural resources. We think we may agree that this situation could not have been bought about in years in normal times.

2. The hostile attitude shown by politicians against capital has been a great destroyer of confidence in pre-war times. This certainly has been measurably changed by events in the last few months.

3. The anti-trust laws have loomed up for years as a menace to confidence. The Government since its entry into the war has practically thrown these laws into the discard and has abandoned them avowedly in the interest of economy, efficiency and the general welfare of the people. This is something which could not be accomplished in ordinary times in a decade or two, we should say, if at all.

4. Investors have been frightened about the railroads, influenced largely by the effect of laws which have prevented pooling and which have set one railroad off against another in matters of competition. The Government in its recent actions has abandoned its former attitude of hostility to railroads, thus accomplishing in a short time what might have taken a generation to accomplish in times of peace.

5. We have a banking system now which has never been in operation in peace times. It has saved the country financially during this world war and its effects in peace will doubtless promote confidence beyond anything known before. And the effectiveness of the new banking system is being measurably advanced by the entrance of the Trust Companies into the Federal Reserve group. Their entry helps to mobilize and protect reserves so we may conclude that our banking system, which has so much to do with confidence, has

been strengthened more in the last three years than ever before and the entry of the trust companies is a further strengthening of the system which could not be accomplished perhaps in fifty years in peace times.

6. Industrial companies which have always been a great menace to the market structure because of their inherent weakness financially, have acquired a strength in the last three years which they might never have acquired under normal conditions.

7. Brokers' loans are doubtless smaller than for years past.

No comment has been made here about the apprehension existing in respect of the labor situation and of socialistic tendencies, yet, considering the low level of stock prices, the potential market influences for good enumerated above should more than offset the menace in that direction.

It seems to us that one day when the hysteria and uncertainty shall have disappeared, as some day it must, each one of the above considerations will be brought more into prominence, people will recognize their significance and then we may see a degree of confidence expressed in financial circles which is only matched by the degree of despair which has recently existed and yet continues.

Yours very truly,

JAS. H. OLIPHANT & CO.

LETTER OF SEPTEMBER 25, 1918.*

JAS. H. OLIPHANT & CO.

MEMBERS NEW YORK STOCK EXCHANGE
MEMBERS CHICAGO STOCK EXCHANGE

NEW YORK CHICAGO

ALFRED L. NORRIS
FLOYD W. MUNDY
J. NORRIS OLIPHANT
JOHN J. BRYANT, JR.
FRANK L. VAN WIE

61 BROADWAY
NEW YORK

Dear Sir:

One frequently hears from experienced steel and iron producers the statement made that, taken by and large over a period of years, whenever pig iron sells at say from $12 to $14 a ton, that has generally been the price at which to buy pig iron. Likewise it has been stated that when copper (the metal) is currently quoted at a price which is very near the cost of production by best equipped mills, the event has proved that copper at such a price was a good "purchase."

Doubtless the management of many a mill and factory has acted with profitable results upon this experience in the purchase of raw material, anticipating requirements say a year or two years in advance. The purchasing agent who would buy pig iron at $12 and copper at 12c. must indeed be an optimist, because such prices do not customarily prevail unless business is fairly prostrate and the outlook for new business discouraging. It is usually the time when mills are closing down that such low prices prevail and business is shrouded in anxiety, uncertainty and apprehension.

*Prevailing market prices shown in table, pages 8-9.

There come periods now and again in Wall Street when under the influences of doubt, fear and uncertainty gilt-edged securities which have for long enjoyed a favorable record as investments are found to sell at what we are pleased to call "panic" prices.

We find in looking back upon these periods, that after the lapse of a year or two the securities are usually strong and eagerly sought for at prices far above the so-called panic prices. History seems to repeat itself and it might be profitable, despite the uncertainty now beclouding the present and future, to attempt an analysis of these panic-price periods to ascertain whether or not some guiding principle may be deduced, such as seems to have been established in connection with pig iron at $12 a ton and copper at 12c. per pound.

So-called panic prices for many old-time standard investment securities certainly prevail today and have for months passed. Pullman Company stock, which for upwards of two score years has paid dividends without interruption and which for a long time has been considered a prime investment security, is quoted in the market at about 112, having sold in 1917 so low as 106¼, and in 1918 at 100⅛. The lowest price in any previous year since 1900 was 135¼, recorded in the panic of 1907.

Another example might be taken in the case of Illinois Central R. R. stock, which is quoted today at about 95, having recovered to this point from the lowest price in 1917 of 85¾. From 1900 to 1916, inclusive, the lowest price of the stock was 99, the stock having sold

at various times in this period well above 150. Since 1863 dividends have been paid on Illinois Central without interruption.

Pennsylvania R. R. stock has an unbroken record of dividends paid since 1856. The stock is quoted today at 88% of its par value; the lowest price for the stock in 1917-18 has been 80½% of par; the records back to 1880 show that prior to 1917 the lowest price was 94¾% of par value.

Consolidated Gas of New York has paid dividends regularly for upwards of twenty-five years. The price of the stock is today 88; in the 1907 panic the lowest price was 74; in 1914, the lowest 112½. Except for the panic periods of 1907-08 and 1917-18, the lowest price in any other of the past twenty-five years was 108.

Panic prices for investment securities reflect a panic state of mind—fear, doubt, apprehension. The panic state of mind in turn is caused by panic breeding conditions. As we look back over the past twenty years we find that there have been no more than three or four crises when standard investment securities have sold at so-called panic prices; 1907 was such a period; 1914 was another, and 1917-18 a similar period. We refer to the old-time-standard-dividend-paying-peace and war-investment securities.

Now, what are the panic-breeding conditions which produce the panic state of mind, the accompanying period of grueling liquidation in the market and consequent panic prices? Panic breeding conditions seem to be of different origin—sometimes social, sometimes

political, sometimes economic, sometimes financial; and sometimes, though seldom, war produces them. This is the case today. Whatever the cause of the panic state of mind the market goes through the same old performance, until after a steady decline for months the most hardy investor finds himself questioning the real intrinsic value of securities which he has confidently held in his box for years. It would appear that the year 1917 witnessed the culmination of the liquidating period.

At each recurring crisis period we find ourselves tempted to discard our pre-conceived ideas as to the merit of this, or the other security and our confusion is always augmented by the fact that there is no precedent to guide us. There are situations in the past which we review in our mind which seem more or less similar, but always we find that conditions have changed and we gain no comfort or reassurance from precedents.

How can it be accounted for that from the low price level reached ten months ago our standard securities have not fallen further? Certainly until recently the developments have been discouraging rather than otherwise. The defection of Russia; the drive in Italy; the advance upon Paris; the increase in burdensome taxation, etc.; all events and developments until recently seem to have been of a nature which would be designed to depress prices. It must be that the answer is found in that liquidation discounts always the worst, and that after a long period of liquidation, such as was witnessed in the year 1907, in 1914 and again in 1917, the market becomes impervious to the

influence of human sympathies and fears and becomes adamant and cold-blooded.

At these times when the market seems to become impervious to the influence of human fears, anxieties still beset would-be security buyers; similarly at other times in the past, when securities were selling not at panic prices but at inflated prices, the market has shown itself impervious to the influence of the very enthusiasm and optimism of security-buyers which themselves caused the inflated prices. How many happy holiday periods have we found when joy and gladness seemed to prevail everywhere except in the case of the cold-blooded stock market, which was declining contrary to all surface indications of prosperity such as increased dividends, etc.!

It would seem that at these crises following long periods of constantly rising prices as well as following long periods of steady liquidation, the investment market comes to a point where it is not influenced by the sentiments of buoyancy or despair which so largely govern us mortal beings. It will be recalled that after the panic of October, 1907, events for months were of a most disturbing nature; plants were closing down, failures were recorded, there was lack of funds available for the purchases of securities and what not. Yet the lowest prices were reached in the panic—before rather than after the event.

Following each occasion which we may review, where so-called panic prices for investment securities have prevailed, we look back after a year or two has elapsed

and wonder why we lost our faith and why we did not have courage to buy this, that or the other security which we had purchased ten to fifty points higher at other times with confidence.

But one would ask what are the signs which would indicate that the market has reached its lowest point? In the panic of 1907, Northern Pacific stock sold at par; in 1917, it sold at 75. Are we to buy Northern Pacific stock at par because that was the panic price of 1907? If at par, why not at 95, 90, 85, etc.? What are the signs which may perhaps indicate to us that the new panic-price level, whatever it may be, has been reached?

Perhaps there may be found an answer to this question.

A member of a Stock Exchange firm, who has had a number of years experience in the Wall Street business, may perhaps in looking from the inside out find in the present situation certain elements which were found to exist at former crisis periods, such as in 1907 and in 1914, the consideration of which may lead to some satisfactory answer to the above question.

A member of a Stock Exchange firm is in a different position to view this situation than the outside investor. There are certain conditions relating to the business itself of which the outsider knows little.

One familiar with the Stock Exchange business may perhaps justly attach a peculiar significance to conditions presenting themselves in the course of that business, and interpret facts differently than another who

does not come in contact directly with a large number of security-buyers of every description and variety.

A Stock Exchange house with an established business and having among its clients a large number of investors is in position more or less to ascertain the attitude of the public as regards the market. The price level of securities is influenced very largely by public sentiment and governed to a considerable degree by human nature elements. It has been found in previous crisis periods, either toward the end of a big advance in securities or following a long period of drastic liquidation, that conditions arise which formerly presented themselves.

Following a long period of rising prices it is found that the public has an abnormal interest in the market, for a man who customarily would hold in a semi-speculative way 200 shares is found to have 400 shares; loans carried by the Stock Exchange house—and this, doubtless, applies pretty much to the average Stock Exchange house—are unusually large; margins are constantly watched; collateral is carefully scrutinized and frequently; brokers' resources are fully employed and further purchasing capacity of clients is limited. Furthermore loans on securities are more or less readily obtainable—on the basis of 80% of inflated market prices.

At a time following protracted liquidation a reverse condition presents itself. Loans are reduced; public interest in the security-markets becomes restricted; the relative measure of the firm's resources to its lia-

bilities is greatly increased; margin calls which were more or less frequent during the period of liquidation gradually cease to be made, as speculative accounts become adjusted to a strong position; and the potential buying capacity of clients becomes relatively greater. In contradistinction to the experience in the inflated-price-level crisis, loans on securities are not now readily obtainable—on the basis of 80% of deflated prices—even though, too, the equity behind the securities may have been substantially increased.

Other significant conditions present themselves which are recalled as characteristic of similar occasions in the past. There is a disposition evinced by clients, rich and poor, rather to buy than to sell securities. While that disposition is shown the performance is lacking through fear and uncertainty. Here is a man who customarily had a debit balance against securities held in a semi-speculative account, who now has a balance standing to the credit of his account with his brokers. His securities previously held as collateral still rest with the Stock Exchange house intended doubtless to be used again some day as collateral. Here is another and yet another who formerly owed substantial sums who take the position—a very reasonable and obvious position—that they do not want to owe money these days because "things are too uncertain." These men gladly and eagerly purchased at a high price level many stocks at which they look askance today; their faith is vanished.

It requires more courage but less money to purchase securities during a period of uncertainty. If our line

of reasoning is not purely fanciful the old-time seasoned securities will likely be proved by the event to be very profitable investments at prices currently quoted.

Many of the securities in the class referred to in the foregoing remarks have been injured by conditions arising from the war. Many other securities have benefited by war conditions.

Post-war conditions will likely help many companies the operations and profits of which have been injured by the war and the securities of which have declined to low prices.

Assuming for example that Pullman Co. stock is entitled to the reputation it holds as a prime investment security, then we say that from a strictly money making point of view it were better to purchase Pullman doubtingly at 112, in the face of uncertainties and on the chance that one day a silver lining will show, than to purchase it confidently at 162, on the chance that there will be no more panics, political upheavals and wars.

It is not inconsistent with the suggestions herein presented to emphasize that the essential investment of this day and period is the Liberty Loan.

Yours very truly,

JAS. H. OLIPHANT & CO.

"We Have Nothing to Sell but Service"

We do not sell securities to our customers. We buy and sell securities for our customers on a strictly commission basis and do not, as dealers, trade with them.

We are in a position to quote accurate markets on securities listed on the various exchanges of this country and our facilities for the execution of orders in unlisted securities are excellent.

Close attention is given to the study of securities and we feel we are qualified to give sound advice on investment matters. Our opinions are not prejudiced by reason of any personal interest due to ownership.

All investment orders, whether large or small, will receive prompt and careful attention.

Our statistical department is well equipped with official reports and original data, and is prepared to furnish information concerning Railroad and Industrial Corporations.

We give special attention to investors through our Investment Service and Inquiry Department.

Jas. H. Oliphant & Co.

Alfred L. Norris Floyd W. Mundy J. Norris Oliphant
John J. Bryant, Jr. Frank L. Van Wie

Members New York Stock Exchange
Members Chicago Stock Exchange

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Investments